

AGORA INTERNATIONAL JOURNAL OF ECONOMICAL SCIENCES, AIJES, ISSN 2067-3310, E - ISSN 2067 – 7669, VOL. 13 (2019)

The role and functions of public finances in perspective

Cristina Ioana Antik¹

¹Agora University of Oradea, Tineretului Square Str., No. 8, Oradea, Romania

E-mail antikcristina@yahoo.com

Abstract

The emergence of public finances is due to objectively determined needs and causes, their main function being to procure the financial resources needed by the state to exercise its responsibilities and, in this way, to intervene in the economy and society in general. Public finances are necessary, subjectively and objectively, because they contribute to the accomplishment of the tasks and functions of the state, which could not be accomplished without the financial leverage. Public finances are indispensable related to the existence of the state, and to the role of the public sector in the economy. Thus, they express social relations, of economic nature that arise in the process of establishing and using public financial resources between the state, on the one hand, and the members of society on the other hand, in order to meet the general interest needs of society. Thus, the role of public finances is to meet needs of general interest, or collective needs.

Keywords: public, finances, role, function, state.

1 Introduction

As a generalized expression of a certain group of processes and economic relations, public finances have to fulfill a certain social mission, in the sense that through them certain economic and social processes are carried out and play an important role by contributing to the achievement of private or economic objectives. general development of society, including the performance of various economic and social activities.

The concept of function assigned to public finances designates their ability to mediate (under optimal conditions) the direct realization of certain economic processes expressed in monetary form and the development of appropriate relations between participants, as well as influencing the way they are carried out. Most often, the fulfillment of public finance functions is materialized in the formation, distribution and use of public funds (financial) resources in the context of economic and social activities in which public authorities are involved.

2 The Functions of Public Finances

The specialized literature retains, most often, as functions assigned to public finances the distribution function and the control function, to which is sometimes added a function of regulating the economy, each of them mediating economic processes of distribution of a part of GDP. , achieving financial control, respectively stimulating the development of positive phenomena or counteracting negative phenomena in the economy and society [1].

Three functions are assigned to public finances, namely:

- the function of distribution (or distribution) of resources;
- control function;
- the function of stabilizing (regulating) the economy.

The distribution function appears as a component of the distribution one, meaning the mediation by the public finances of some processes of redistribution of resources between the natural and legal persons, with the involvement of the public authorities. This function is manifested by

taking over from public funds some parts of the income or assets of various individuals or legal entities in the form of taxes, fees, etc., and then distributing them in the form of public expenditures made according to criteria of equity or social justice. By default, its fulfillment materializes in the redistribution of a part of the GDP between the members of the society [2]. Public finances also manifest themselves as a mediator of exercising control over money over various aspects of economic and social life. Their ability to mediate the monetary-financial control over the development and results of different economic and social activities defines their control function. Thus, the management of resources, in general, and financial ones, in particular, requires as accurate records as possible, on their existence and movement, knowledge and monitoring of their formation and use, ensuring maximum positive results, including compliance with certain management principles. and the regulations regarding the financial activity at the level of each entity or functional structure. In this context, public finances are also meant to mediate the exercise of monetary control over certain areas of economic and social activity by fulfilling the function of control.

The stabilization function expresses the mediation by public finances of stabilizing influences on the evolution of economic and social life, thus having the ability to contribute to ensuring price stability, a high degree of employment, maintaining balance in relations thus helping to maintain an acceptable pace of balanced economic growth.

2.1 The function of public finances for the distribution of Gross Domestic Product

The function of the public finances of GDP distribution expresses their capacity to mediate the distribution in monetary form of the product created in the material activities, as a premise of accomplishing this process and in material form, to satisfy the needs of public consumption. In this function, public finances ensure the distribution and redistribution in cash of a large part of this product, and first of all, the redistribution of primary revenues achieved in the first phase of distribution, by individuals and legal entities, in favor of public authorities or entities.

The manifestation of finances in this function implies, implicitly, the realization of financial flows aiming at the establishment of public funds and their distribution at various levels of the organization and functioning of the company.

In terms of the processes of distribution and redistribution in monetary form of the national product, materialized by the financial flows (corresponding), the fulfillment of this function of public finances involves two phases (sides), namely:

- setting up (public) funds at the disposal of public authorities and entities;
- distribution on adequate destinations of the respective funds for the achievement of public objectives and actions.

The two phases of the distribution function represent two moments of the same process, between them there are close links, of interconditioning. Thus, the first phase is manifested by the mobilization of financial resources at the disposal of the state, respectively of public entities and the formation of their financial funds, not as an end in itself, but in accordance with the needs to be met, materialized by the destinations to be given to the mobilized resources. The second phase involves the distribution by destination of the public funds established, being inevitably conditioned by the previous development of the processes of mobilization of resources to these funds, in the amount and moments imposed by the needs to be met. Logically, it is acceptable that the procurement of money resources to public financial funds, in the manifestation of this function, is justified only in terms of directing them to meet specific public needs, and the distribution and use of such funds can take place only if , previously, the respective funds were set up.

Within the interdependence relations between these two phases of the distribution function, each fulfills both the role of determining factor and that of determined factor. Thus, the establishment of funds, in the first phase, is objectively determined by the existence and size of

the financial resources needs assumed to be satisfied at the level of the respective entities as an expression of the second phase. These needs concretize, moreover, the destinations that must be given to the funds set up, depending on the actions, respectively the activities for the realization of which the resources that are accumulated in the first phase are consumed.

Therefore, the size and types of public funds that are constituted, in the first phase, depend directly on the destinations that will be given by their distribution and spending, in the second phase, which implies the need to correlate the dimensions of the needs to be covered with possible resources to be procured. However, the proportions of these processes of constituting public funds have an objective basis given by the real dimensions of the realized national product, although sometimes parts of the national wealth are used in the same framework. In its turn, the way of setting up the public money funds conditions, objectively and directly, the accomplishment of the second phase, first of all through the dimensions at which the accomplishment of the processes corresponding to the latter is ensured.

Thus, the distribution processes can be carried out only to the extent that the funds were created in the first phase of the distribution function. At the same time, the destination given to the money resources is dependent on the evolution of the constitution process, as dynamics and sources of formation of public funds.

At the same time, we find that the interdependence of the two phases is amplified by the fact that the resulting destinations, in this second phase, include the possibility of creating favorable premises for the establishment (or non-establishment) of financial funds in the first phase.

In this sense, it is typical the financing from public funds of some economic objectives that put into operation a national product, as a new value subject to the distribution and mobilization of new financial resources. Or, if the dimensions of the allocation of resources with such destinations are larger, the processes of constitution and distribution of public financial funds are intertwined and condition each other to a greater extent.

Viewed at the macroeconomic level (in terms of public finances) the processes characteristic of the financial flows of establishment, respectively distribution and use of funds within the distribution function are dependent on those in which GDP is created subject to distribution, including public finances.

Thus, the product created and distributed in monetary form becomes the source of financial resources that later reach consumers and become a solvent demand addressed to the market and thus to the sphere of production, generating new values. The value distribution of the created product takes specific forms of money distribution, firstly, by making income in money by the participants in the directly productive processes, and secondly by establishing and then distributing financial funds at the disposal of public entities, respectively the state. .

It should be noted, however, that the distribution of the product created in both phases is achieved by other means than financial ones. The financial forms through which the establishment, distribution and use of public funds by different public entities, including by the state, materialize differ significantly in time and space, meaning allocations or withdrawals of resources from and to the respective funds.

By allocating parts of these funds to meet various consumption needs, those entities meet their own consumption needs in the form of goods and services in a natural-material form. The aggregate consumption demand itself also includes the one formed on account of financial resources, addressing the sphere of production, in order to create goods and services of the appropriate size and structure.

Thus, the accomplishment of the distribution function that belongs to the public finances is intertwined with the processes of creation, distribution and use of the national product in natural-material form, highlighting the interaction between the cash-financial flows and the real ones. First, financial inflows into public funds can have various sources of money (including

financial markets), just as (financial) outflows include a multitude of destinations given to money resources.

The participants in the relations and financial flows characteristic of this function of public finances are public entities, respectively the state and natural or legal persons, either as taxpayers in setting up various public financial funds, or as direct or indirect beneficiaries of financial resources distributed from these funds.

In the phase of setting up the financial funds, the natural and legal persons or the economic-social entities transfer parts of their resources or incomes, in order to set up funds at the disposal of the different public entities or authorities.

In the distribution phase, the participants in the respective financial relations directly or indirectly benefit from sums of money or social utilities at the expense of the expenses financed from these public funds. The main forms under which it is made are: taxes, fees, mandatory contributions, penalties, fines, royalties, revenues made by public institutions, state loans, financial aid, donations to the state. In their turn, the forms under which the phase of distribution of public financial funds materializes, within the same function are, mainly, public expenditures, which are differentiated on specific fields and actions (education, health, social protection, national defense, public order, etc). .

They take forms of the expenses related to the creation of the material base of the public entities or of those of their functioning, cash resources as well as on the one of the personnel expenses. They are assimilated to the allocations from public funds, representing amounts of money transferred in favor of natural or legal persons, also known as subsidies. As an expression of the distribution function, the processes of constitution and distribution of financial funds have an objective character, but the technical modalities under which these processes are carried out, including the mentioned forms, have a subjective character. They are established by decisions adopted by the management and administration bodies of the various entities under the impact of the policies promoted at one time or another [4].

2.2 The function of public finances to control economic and social activities

The recognition of the control function of public finances has objective support in the fact that the manifestation of financial phenomena creates the necessary framework for the execution of financial control. By comparison, the work of financial control performed by certain persons who fulfill, within the created legal framework, administrative functions that confer attributions of financial controller's imprints on this control a subjective component. The objective side of control through public finances lies in the fact that it can be performed by persons appointed to perform such control work where, in the foreground, processes and financial relations take place in which public authorities or entities are directly or indirectly involved, respectively public resources.

The exercise of control through public finances therefore presupposes in an objective plan the existence, as its support, of public financial relations, including the development of activities based on the use of money with impact on the formation and use of public money resources, implicitly assuming the distribution function. two of its phases. Naturally, the financial control considered as an expression of the fulfillment of this control function, is grafted on the operations and the monetary relations regarding the constitution and distribution of the public financial funds.

Therefore, between the two functions of public finances there are certain relations of determination, highlighting in the foreground the fact that the financial activity that materializes the distribution function provides the ground for the execution of financial control. On the other hand, the fulfillment of the financial control function favors the manifestation of the distribution function, including in the sense of generating new processes of constitution or distribution of public funds.

At the same time, it should be noted that, necessarily, the sphere of manifestation of the control function, although based on the manifestation of the distribution function, has larger dimensions, extending to other economic and social processes in interconditioning relations with those financial. From this point of view, there are two main categories of material processes included in the scope of the control function compared to the distribution one, namely: those consuming financial resources; respectively those generating new value and implicitly new financial resources. From this perspective, the exercise of financial control through public finances includes not only the sphere of distribution but also those of production, circulation and consumption, as in each of them processes are consumed or generate financial resources.

Thus, for example, financial control is exercised over production, because in this phase the values are created, which are subject to exchange and consumption, as well as the added value, which is subject to financial distribution, targeting expenses, revenues and results recorded. Similarly, in the consumption phase, financial control aims at the structure, proportions, opportunity and efficiency of expenditures materialized in the intermediate and final consumption of public entities. On a broader level, expressing the ability of finance to mediate the exercise of control through money, based on financial relations, it is also known as monetary control involving the manifestation of money in their functions. Thus, for example, the level of costs, the volume of investments, the value of goods production, the amount of profit, etc. it is evaluated by using money in its function of measuring (standard) value, but by the function of controlling finances it analyzes the correlations that are established between different value indicators for choosing the advantageous options for achieving objectives or actions. Particularly important is the fulfillment of the function of money as a means of preserving or reserving the value that intertwines with the control function of public finances (especially), by monitoring and analyzing the processes of accumulation of money resources in centralized and decentralized public funds, respectively control over the mode of administration and the efficiency of their use.

The fulfillment of the control function of public finances presupposes the creation of the adequate organizational framework, including the structures and regulations regarding the functioning of the control bodies in relation to the content of the economic and social activities subject to control. In this sense, the financial control can be exercised both from inside the public entities and from outside, through specialized institutions, distinguishing, as forms, the internal control and the external control.

Internal financial control is integrated into the functional structures of public economic and social entities, most often in the form of current preventive and operational control, especially at the level of operational structures.

In turn, the external financial control is based on the creation and operation of institutions or bodies specialized in its exercise usually located at the level of other administrative structures than that of the entities subject to control, and within it, the central place belongs to state financial control. through bodies of the Ministry of Finance (Public), respectively of the Court of Accounts, etc.

2.3 The function of public finances to stabilize the economy

The existence of such a function of public finances is part of the context of the assumption by the state or other public bodies of an active role in the economy, either by indirect involvement in economic actions, or indirectly by influencing private economic activities. In both cases, however, this function outlines the manifestation of public finances as a means of influencing economic and social life and especially the economy in accordance with the general policy objectives promoted by public authorities.

By fulfilling this function, public finances mediate the counteracting of destabilizing phenomena (recession, crisis, unemployment, etc.) that disrupt the economic and social processes on the one hand, respectively stimulating the positive evolution of these processes, on the other hand. It is noteworthy that the development of modern theory of public finance by recognizing their possible stabilizing impact on the market economy subject to specific factors, which disrupts its imperfect mechanisms, provides scientific support for the realization of this function through appropriate public financial policies [5].

On the other hand, the quantitative and qualitative dimensions of new value-creating material processes are interconditioned with those of the formation and use of public financial resources. The possible regulatory impact of public finances on economic and social activities can be summarized in the following main directions:

- countercyclical adjustment or stabilization;
- stimulating economic expansion (growth);
- modernization, restructuring and adaptation of the economy to the requirements of the internal and external market.

Under the first aspect, the manifestation of this function consists in the use of public financial techniques and instruments as means for counteracting the economic crisis as a real or possible phenomenon, and of the unemployment that accompanies it, seeking to ensure a certain stabilization of production and employment. respectively, the attenuation of the cyclical oscillations, determined by the alternation of the periods of prosperity with those of economic decline. It involves financial facilities or restrictions designed to help avoid major syncope.

The second aspect aims at using financial techniques and instruments as propelling factors of economic activities, by stimulating investments and boosting the growth rate of production ensuring not only the relaunch of the economy or combating the growth slowdown, but also its expansion.

Under the third mentioned aspect that considers the involvement of public finances through specific techniques and tools for the processes of modernization and restructuring of national economies, either supporting the efforts of private economic agents or developing directly within the public sector, certain segments, branches or sub-branches either by restricting another and by ensuring that it adapts to the evolution of demand in the internal and external markets. The regulatory impact of public finances, based on the interaction of material processes with financial ones, is reflected in economic and financial variables whose dimensions condition the achievement of objectives, and the main tools used for this purpose are taxes, public spending, public budget.

Thus, for example, as objective premises of the regulation of the economy through public finances must be considered the interrelationships dependent on total income, composed of disposable income and tax on the one hand, with the size of total consumption (expenditure), structured in personal consumption and investments, on the other part, according to the following relations:

$$V_t = V_d + T \quad (1)$$

$$C_t = C_p + I \quad (2)$$

where:

V_t = total income;

V_d = disposable income;

T = taxes, fees, contributions;

C_t = total consumption;

C_p = personal consumption;

I = investments.

From the equalization of the two relations, in the form $V_t = C_t$, derives the correlation of the structural variables, reaching the finding of specific interactions, both between the two relations

and between the variables included in them. Among these, it is obvious the indirect conditioning between the variables such as tax and investments in the sense that the change of the size of the former favors the change in the opposite direction of the latter.

In conclusion, the regulation of the economy through taxes involves the adaptation of the size of the tax to the total income with its impact on disposable income and thus on the volume of investments.

Thus, if there is a trend of stagnation or recession, the recovery of the economy is possible by reducing the proportion of taxes, which will lead to increased disposable income, much of which can become a source of financing for investment. This resizing of the size of taxes becomes a premise for increasing investment and production capacity, including the creation of a large number of jobs and a significant reduction in unemployment. Such an intervention through financial means is specific to the situation when there is a decline in economic activities, accompanied by the restriction of private investment and the increase in the number of unemployed in the total active population.

On the contrary, admitting that there is a too accelerated pace of production (which corresponds to a small number of unemployed), which threatens to overheat the economy and create the conditions for its decline, it becomes possible to regulate in the opposite direction by raising taxes, reducing income available, private investment and production and thus moderating the too high rate of economic growth. Similarly, but adapted to the content of specific processes, there is also regulatory intervention through public spending, considered a financial variable with an impact on the size of total consumption, aggregate demand and thus on supply.

It materializes through adaptations of their size and structure, depending on the requirements of ensuring an upward, continuous evolution of the economy. The regulatory impact lies in the fact that an increase in budget expenditures, both an increase in public final consumption demand and public investment, can lead to an increase in investment, production and therefore the economy in periods when there are decreases of greater proportions. its large. In contrast, the option to reduce public spending results slowing down the pace of economic activities and, implicitly, attenuating cyclical oscillations in the opposite direction. In the same context, the regulatory action promoted by public finances includes the use of the public budget, by accepting the budget deficit and its financing from extraordinary resources, in the phases of economic decline, this becoming a factor of economic recovery and growth.

3 Conclusions

Public positions have appeared with the evolution of society and are part of the objective process of the evolution of human society and requires the existence of minimum conditions to be able to manifest the character of economic relations.

The conditions that made necessary and possible the appearance of public positions were:

- the emergence and development of commodity-money relations able to allow the formation and use of state resources in monetary form;
- the emergence of the state, which for the exercise of functions and tasks internally and externally, needed significant financial resources, which could not be procured in the commodity-money relations.

Following the historical evolution of finances based on the two conditions, it was concluded that public finances appeared with the arrangement of the primitive commune. This period did not know the appearance of the state or the monetary relations, and the economy had a deeply natural character. In the absence of the state, public functions were performed by people elected from among the community.

The public authorities did not have a special coercive apparatus. As the production process developed, which was marked by the social division of labor, there was an increase in labor

productivity, an increase in production, and the development of exchange. Production, exceeding individual consumption needs, determined the emergence of private property, the emergence of wealth inequalities and the division of society into social classes.

In this way arose the need for an institution to protect the private property and privileges of wealthy people. This institution is the state that has played several forms in society over time.

Thus, as a final conclusion, I consider that the state is as that form of organization, an institution through which political power is exercised within the limits of a certain territory by a group of organized people who impose their will and interests on society.

REFERENCES

- [1] Beleanu Pavel și Anghelache Gabriela , *Finanțe Publice*, Editura Economică 2005;
- [2] Inceu Adrian, Pop Florin, Lazar Dan, - *Elemente de finanțe publice*, C.F.C.I.D., Presa Universitara Clujeana, Cluj-Napoca, 2000;
- [3] Moșteanu Tatiana , *Finanțe Publice*, Editura Universitară 2005,
- [4] Talpoș Ioan, *Finanțele României*, Ed. Sedona, Timisoara, 1996 ;
- [5] Văcărel, Iulian, *Finanțe Publice*, Editura Didactică și pedagogică, București, 2007